



DEPARTMENT OF THE ARMY
INSTALLATION MANAGEMENT COMMAND PACIFIC
HEADQUARTERS, UNITED STATES ARMY GARRISON DAEGU
UNIT #15746
APO AP 96218-5746

24 SEP 2021

AMIM-DAG-ZA (11-7)

MEMORANDUM FOR ALL PERSONNEL ASSIGNED TO UNITED STATES ARMY
GARRISON (USAG) DAEGU AND AREA IV

SUBJECT: United States Army Garrison (USAG) Daegu Policy Letter #21-70, Standard Operating Procedures, the Audit Process, Internal Review and Audit Compliance Office (IRACO)

1. This policy is effective immediately. It remains in effect until rescinded or superseded.
2. References:
 - a. AR 11-7, Internal Review Program, 29 March 2017.
 - b. AR 36-2, Audit Services in the Department of the Army, 30 October 2015.
 - c. Government Auditing Standards, U.S. Government Accountability Office, July 2018.
 - d. DODI 7600.02, Audit Policies, Incorporating Change 1, Effective 15 March 2016.
 - e. DOD 7600.07, DOD Audit Manual, 3 August 2015.
 - f. AR 11-2, Managers' Internal Control Program, RAR, 26 March 2012.
 - g. DOD Instruction, Managers' Internal Control Procedures, 30 May 2013.
 - h. AR 215-1, Military MWR Programs and NAF Instrumentalities, 24 September 2010.
 - i. DODI 7600.06, Audit of Non-appropriated Fund Instrumentalities and Related Activities, Incorporating Change 1, Effective April 20, 2020.
3. Purpose. Provides the responsibilities, process, and procedures for internal audits conducted by Internal Review and Audit Compliance Office (IRACO) of USAG Daegu organizations, operations, and activities.
4. Scope. This policy applies to all USAG Daegu installation directorates, support offices, and personnel.

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5. General. The USAG Daegu IRACO ("IR") conducts audits of USAG Daegu organizations and operations for audit subjects:

- Documented in the Internal Review Annual Plan and approved by the Garrison Commander (GC) at the beginning of the fiscal year.
- Requested by the GC or the Deputy to the Garrison Commander (DGC) throughout the fiscal year.

These internal audits, performed in accordance with generally accepted government auditing standards (GAGAS), provide an independent and objective assessment of the stewardship, performance, or cost effectiveness of policies, programs, operations, or activities. GAO-18-568G, Government Auditing Standards ("Yellow Book") provides three types of audits conducted under GAGAS; financial audits, attestation engagements, and performance audits¹. Specifically, IR conducts financial, compliance, operational, and performance audits of various types and scope.

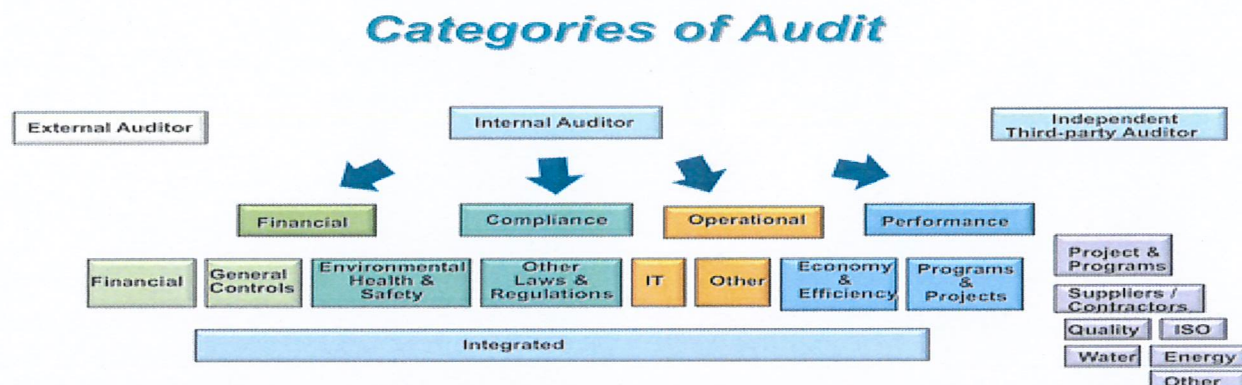


Figure 1. Categories of Audit

6. Responsibilities.

a. GC (or, as directed, the DGC):

(1) Ensures subordinate commanders, functional directors, division chiefs, and subordinate activities fully cooperate with the audit and provide timely responses to inquiries supporting the audit.

(2) Ensures IR auditors are granted timely, unrestricted access (consistent with security classification) to all records, electronic and otherwise, needed in connection with the audit.

¹ The Yellow Book includes financial statement audits within the category of financial audits; however, IR does not conduct financial audits.

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(3) Adjudicates and resolves disagreements on the audit results and corresponding recommendations between IR and subordinate commanders, directors, division chiefs, and subordinate activities.

b. Subordinate Commander, Director, Division Chief, and Subordinate Activity of the Audited Organization:

(1) Cooperates with and provides timely responses to inquiries made in support of the audit.

(2) Provides timely, unrestricted access to facilities, records, documents (consistent with security classification), and personnel needed in connection with the audit.

(3) Offers recommendations for corrective actions to address audit-identified discrepancies and/or material weaknesses in internal controls.

(4) Provides accurate, adequate, and responsive comments to draft audit findings and recommendations.

(5) Implements agreed upon actions included in the audit report recommendations.

c. IR Chief:

(1) Directs, manages, and supervises the execution of the audit consistent with GAGAS.

(2) Ensures direct communication with the audited organization of audit issues requiring immediate resolution.

(3) Validates draft audit results and coordinates recommended corrective actions with the audited organization.

(4) Issues a report communicating the results of each completed audit.

(5) Establishes and maintains an audit recommendation tracking and follow-up system.

(6) Elevates, through the chain of command to the IR proponent, audit results that have Army-wide implications.

(7) Ensures that data obtained during IR audits are properly safeguarded.

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(8) Elevates for resolution to the GC/DGC access denials by organizations and unresolved audit result disagreements.

d. IR Auditor:

(1) Conducts the audit in accordance with GAGAS.

(2) Obtains an understanding of the nature of the audited program or subject.

(3) Examines the design and implementation of internal controls and evaluate the controls' effectiveness in meeting program and/or management objectives.

(4) Develops and performs procedures designed to meet audit objectives.

(5) Communicates with the audited organization the audit issues requiring immediate resolution.

(6) Develops audit conclusions based on the evaluation of relevant data and information against objective criteria, e.g., established requirements or measures or generally accepted benchmarks or good business practices.

(7) Prepares the report documenting the audit results.

(8) Properly safeguards data obtained during the audit.

7. Audit Process. Although every audit is unique, the audit process is similar for most engagements and normally consists of eight stages: Notification, Inbrief, Survey, Fieldwork, Summarization, Outbrief, Formal Draft Report, and Final Report. Management's involvement is critical at each stage of the audit process. As in any special project, an audit may result in a certain amount of time being diverted from the audited organization's routine activities to supporting the audit. Coordination with IR and cooperation with the audit are keys to minimizing the time required for conducting the audit and the disruption the audit may cause in the organization's activities.

a. Notification. Management personnel of the audited organization will receive written audit notification from IR at least 1 week prior to the beginning of audit. The notification could include a request for a preliminary list of required information (e.g., organization chart, relevant governing criteria (e.g., Army Regulation, SOP, OPORD, etc.), and primary point-of-contact) that will help IR learn about client organization and audit subject matter for audit planning purposes.

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b. Inbrief. During the in-brief, IR discusses with management and staff personnel the audit objectives, scope, and timeline, as well as, management concerns, if any. IR will collect preliminary information requested during notification. In particular, IR requires information concerning guidance (Army Regulation, Directives, SOP, OPOD, etc.,) covering the program or subject matter being audited.

c. Survey. IR gathers relevant information about the organization such as relevant internal controls and observes critical processes in order to obtain a general overview of operations, evaluate internal control effectiveness, and plan the remaining audit steps. In evaluating the internal controls, IR will examine the design and assess compliance with the controls. The internal control review assists IR in determining the areas of highest risk and the corresponding tests to be performed during audit fieldwork.

d. Fieldwork. Audit fieldwork is the process of gathering, analyzing, testing, and evaluating relevant evidence in order to answer the audit objectives. The audit evidence provides support to audit results or findings. The audit objectives and procedures are performed so that the most important and significant audit steps are accomplished first. As the fieldwork progresses, the auditor discusses significant preliminary findings with the client. It is important that client personnel provide relevant information that present conditions accurately.

e. Summarization. Upon completion of fieldwork, the auditor summarizes audit findings, conclusions, and recommendations necessary for the preparation of the discussion draft report. IR will prepare and submit the discussion draft report to the responsible organization to discuss findings/conclusions, root causes, recommendations, and corrective actions during the audit outbrief.

f. Outbrief. IR will offer to schedule an audit outbrief within seven calendar days of the end of summarization to discuss the audit results. This outbrief gives the organization an opportunity to discuss the findings/conclusions, root causes, recommendations, corrective actions, and resolves any open issues or areas of disagreements. It is important that disagreements with audit results and/or recommendations, if any, are resolved at this stage. The out brief may not be necessary when the organization fully agrees with the report and issues require no resolution. Consequently, organizations responsible for implementing recommendations, as well as other organizations having an interest in the audit results, may waive the outbrief.

g. Formal Draft Report. IR prepares a formal draft report, taking into account any revisions resulting from the outbrief and other discussions. After IR and management reviews the revisions, the formal draft report is prepared and issued. Specifically, IR

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submits the formal draft report to management in order to solicit a formal written response. The response consists of three components: agreement with audit results, course of action to correct the problem, and expected completion date of the corrective action. The organization will have 21 calendar days to provide its formal response. If disagreements concerning audit results still remain at this stage, the formal draft is sent to the GC/DGC for adjudication. The GC/DGC could call a meeting with IR and the organization to discuss the disagreements and hand the adjudication decision.

h. Final Report. IR incorporates management response and finalizes the report. IR distributes the final report electronically to the organization's management with a cover memo signed by the GC/DGC. IR provides a hardcopy of the final report to the USAG Daegu command group and sets up a tracking schedule for any open recommendation.

8. The point of contact for this action is the Chief, Internal Review Office, USAG Daegu and Area IV, DSN (315) 763-6510/6511.



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COL, AR
Commanding